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RUEHBUL/AMEMBASSY KABUL 0370
RUEHKT/AMEMBASSY KATHMANDU 0080
RUEHNE/AMEMBASSY NEW DELHI 0238
RHEFDIA/DIA WASHDC
RUEKJCS/OSD WASHDC
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEHGV/USMISSION GENEVA 0482
RUEHVEN/USMISSION USOSCE 2376
RUCNDT/USMISSION USUN NEW YORK 1760
RUEHNO/USMISSION USNATO BRUSSELS BE
RUEHBS/USEU BRUSSELS
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C O N F I D E N T I A L SECTION 01 OF 03 BISHKEK 000210

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [SOCI](#) [KG](#)

SUBJECT: KYRGYZ DOWNPLAY EXPECTED IMPACT OF NEW RUSSIAN
RESTRICTIONS ON FOREIGN LABOR

REF: A. MOSCOW 654

[1](#)B. BISHKEK 037

[1](#)C. 06 BISHKEK 1022

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Classified By: DCM Lee Litzenberger, Reason 1.4 (b) and (d).

[1](#)1. (C) Summary: With an estimated 500,000 Kyrgyz working in Russia, sending back an estimated half billion dollars a year in remittances, Russia's new restrictions on foreign labor and outdoor markets (Ref A) have prompted concern here about a possible sudden return of labor migrants and reduction in remittances. President Bakiyev has reportedly asked Russia for a quota of 500,000 places for Kyrgyz workers, and Kyrgyzstan has passed a similar decree that aims to restrict foreign -- mostly Chinese -- workers in outdoor bazaars and markets. The Chair of Kyrgyzstan's State Committee on Migration and Employment downplayed the impact of the Russian laws, estimating that no more than 10,000-20,000 citizens would return to Kyrgyzstan; others think the impact will be greater. In any event, with the official unemployment rate at 17.7%, the Kyrgyz economy has little capacity to absorb any returning workers. End Summary.

MASSES WORKING ABROAD PROP KYRGYZ ECONOMY AT HOME

[1](#)2. (C) An estimated 500,000-800,000 Kyrgyz citizens currently work abroad in mostly low-paying, unskilled bazaar and construction jobs. With the entire labor force estimated at 2.2 million people, approximately 35-40% of the working-age citizens are toiling outside of Kyrgyzstan. While labor migrant destinations include Kazakhstan and Turkey, the bulk

of the migrants travel to Russia in search of employment. As a result, remittances are estimated to be infusing as much as half a billion dollars into Kyrgyzstan's economy. Precise data on labor migrants are not available, and some estimates put the number of migrants at one million and their remittances at one billion dollars. One silver lining is the abundance of job opportunities in neighboring countries, which relieves the fragile economy from having to support the otherwise unemployed masses in Kyrgyzstan.

13. (C) The flow of remittances is another positive result to the loss of hundreds of thousands of working-age Kyrgyz citizens who have left the country for better opportunities. Labor migrants send remittances through official firms, such as Western Union and Unistream, and unofficial channels like bus and truck drivers and other individuals traveling back to Kyrgyzstan. To emphasize the impact, journalists and politicians note that the estimated remittances for 2006 of roughly 500 million USD are approximately equal to Kyrgyzstan's state budget for the same year. With a GDP of 2.24 billion USD last year, remittances play a vital role in boosting the Kyrgyz economy and supporting a significant portion of the population.

WILL RUSSIAN LABOR LAW WRECK KYRGYZ ECONOMY?

14. (C) The Russian Federation recently introduced a law limiting foreign traders to 40 percent of total vendors in open-air markets by April 1, with the goal of eliminating all non-Russian citizens trading in these bazaars by year's end (Ref A). The law leaves Kyrgyz and other foreign traders with few options: return to their home country to seek work in a feeble job market, leave the bazaars for a new profession in the construction or production industry, or become a Russian citizen to ensure protection from the

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government at the cost of a portion of their salaries to taxes. Those currently in country illegally may be forced to return to Kyrgyzstan and re-enter Russia only after applying for legal status. The law threatens to disrupt Kyrgyzstan's fledgling economy, should a sudden influx of returning labor migrants flood the already sparse job market. A second scenario is the possibility that Kyrgyz become Russian citizens en masse and resettle their families in Russia, significantly reducing the amount of remittances flowing back into the country and depleting the overall population. Kyrgyz officials report that over 80,000 Kyrgyz have received Russian citizenship in the last two years but anticipate that these numbers could rise sharply.

KYRGYZ INTRODUCE COPYCAT RESTRICTIONS ON FOREIGN LABOR

15. (C) The Kyrgyz government has raised concerns about the possible impact of the Russian laws. President Bakiyev has reportedly requested a registration quota of 500,000 Kyrgyz labor migrants from the Russian government. Also in response to the Russian law, Kyrgyzstan has adopted a similar decree, scheduled to take effect April 1, that bans all foreign traders in open markets and limits to ten percent the number of non-Kyrgyz retailers. Most affected would be Chinese citizens, who make up a large portion of foreign traders in southern bazaars and retailers in the north. Chair of the State Committee for Migration and Employment Issues (SCME), Aigul Ryskulova, told us that she hoped the new Kyrgyz regulation would open up jobs to offset the influx of traders returning from Russia (Ref B), optimistically theorizing that Kyrgyz traders forced to leave Russian markets could replace Chinese traders in Kyrgyzstan's open markets.

16. (C) The new Kyrgyz labor regulations have already sparked controversy. Inom Abdurasulov, a member of parliament from Osh who supports the Kyrgyz restrictions on foreign traders, told Poloff he expected the new regulation would be changed,

because "the Chinese are much too powerful in the south and the government wants to avoid more civil strife." Abdurasulov thought that the government would amend the decree to allow foreigners to continue trading for a fee because "all they want is the money, they don't care about patriotism." Deputy Foreign Minister Kadyrbek Sarbayev complained to DCM that the law was already causing huge headaches for him in dealing with the Chinese. Tensions are reportedly high in the southern bazaars. In early February, Kyrgyz traders from Kara Su, the largest market in southern Kyrgyzstan, held demonstrations in support of the decree and against Chinese labor migrants, accusing them of "impeding their commercial activities" and even threatening violence "if necessary." Demonstrations in support of the Chinese traders, backed by Kyrgyz businessmen keen to the economic benefits of their link to trade with China, were also reported.

KYRGYZ MIGRATION OFFICIAL NOT WORRIED BY RUSSIAN LAW

17. (C) SCME Chair Ryskulova downplayed the possible impact in Kyrgyzstan of the Russian law. During a recent meeting with the DCM, she quoted more moderate estimates of 253,000 Kyrgyz citizens working in Russia, approximately 80,000 of which have already officially registered as migrant workers with the Russian government. She felt that the implementation of strict migrant labor laws would push the remaining illegal workers to follow suit and register. Ryskulova predicted that only a small number -- perhaps 10,000-20,000 citizens --

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would be forced to return to Kyrgyzstan. (Note: In earlier statements to the press, Ryskulova had suggested that the new Russian law would leave 100,000 Kyrgyz traders jobless. End note.) She also believed that some Kyrgyz citizens would benefit from the Russian program to help foreigners with specific job skills take up citizenship, with the added incentive of pre-determined employment, housing, and stipends. She confirmed that the program's quota for 2007 was 50,000 foreigners to be offered the incentive package, with the quota increasing by 50,000 each year through 2009. It was unclear whether these workers would be required to return to their home country to apply. (Note: These figures are minute in comparison to the estimated 11 million labor migrants currently working in Russia. End note.) Ryskulova believed that many migrant workers in Russia have already received Russian citizenship or are awaiting approval of their application.

RUSSIAN EMBASSY: NO APOLOGIES

18. (C) At a recent meeting of OSCE representatives, Russian Ambassador Vlasov said that illegal immigration in Russia was "uncontrolled;" President Putin had no choice but to take matters in hand and enforce order. He noted that foreign workers forced to leave Russia could apply to return legally, and said that Russia was allowing 50,000 in 2007, 100,000 in 2008, and 150,000 in 2009. This was a generous policy, and it would also improve the living conditions of foreign workers in Russia, he claimed. (Note: This version clearly contradicts Ryskulova's understanding that the program would offer citizenship, rather than provide a registration quota for foreign workers. End note.)

COMMENT

19. (C) It is not clear what impact the new Russian regulations, which come into effect on April 1, will have on Kyrgyz migrant workers. The Kyrgyz government's lead official on the issue seems to believe in the best case scenario, suggesting that only 10,000-20,000 will return to Kyrgyzstan, and many of them will come with money earned abroad to start new businesses here. In any event, the

government has done little to prepare for the possible negative impacts, and with official unemployment at 17.7%, the Kyrgyz economy has little capacity to take in an influx of returning workers. Thus, as is unfortunately the all too predictable pattern here, whatever the consequences of the Russian legislation, the government will be ill-prepared to address them, and the individual Kyrgyz citizens who suffer the consequences will be left on their own to cope. END COMMENT.

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